



COUNCIL MINUTES

June 23, 2011

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on June 23, 2011 at 7:31 a.m.

COUNCIL PRESENT

Scott Smith
Dina Higgins
Dennis Kavanaugh
Dave Richins

COUNCIL ABSENT

Alex Finter
Christopher Glover
Scott Somers

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

(Mayor Smith excused Vice Mayor Somers, Councilmember Finter and Councilmember Glover from the entire meeting.)

1. Review items on the agenda for the June 27, 2011 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest: None

Items removed from the consent agenda: None

Items deleted from the agenda: None

2-a. Hear a presentation, discuss, and provide direction on the Environmental Compliance Fee.

Deputy Director of Environmental & Sustainability Scott Bouchie, displayed a PowerPoint presentation (**See Attachment 1**) and reported that due to reductions at the State level, the costs for unfunded State and Federal mandates have been passed down to the City.

Mr. Bouchie briefly highlighted the various Federal and State mandates as follows:

- Resource Conservation and Recovery Act (RCRA) – regulates how the City manages hazardous waste generated from City facilities.
- National Emission Standard for Hazardous Air Pollutants (NESHAP) – regulates asbestos and the management of asbestos in City facilities.
- Comprehensive Environmental Compensation and Liabilities Act (CERCLA) – regulates Phase I/II Environmental Site Assessments conducted by the City.

Mr. Bouchie continued with the presentation and said that stormwater constitutes the largest portion of the Environmental Fee expenses. He said that stormwater regulations and air quality control measures are part of the Clean Water Act. He noted that Maricopa County regulates air quality measures for the City.

Mr. Bouchie advised that one of the Cities Best Management Practices (BMP) of the Stormwater Permit is the operation and maintenance of the stormwater retention basins which help to minimize the discharge of pollutants. He explained that the turf in the basins prevent sediment run-off and that currently there is a decreased turf density and therefore, the basins are not operating the way they should. He added that due to budget restrictions the trees and turf in the basins have not been properly maintained. (See Page 5 & 6 of Attachment 1)

Mr. Bouchie stated that the BMP's for storm drain maintenance include the cleaning of the storm drain system from the street gutters to the retention basins. He advised that the City spends approximately \$1 million a year on storm drain maintenance. (See Page 7 of Attachment 1)

Mr. Bouchie reported that sweeping of municipal streets is another BMP that minimizes the discharge of pollutants. He said that street sweeping is a \$2.2 million requirement of the stormwater permit that helps with the reduction of air pollution.

Responding to a question from Mayor Smith, Mr. Bouchie explained that paved roads are one of the largest contributors to PM10. He said dirt is carried out onto the roads where it is ground up into fine particulate matter that is released into the air as cars drive over it. He stated that preventing the dirt from getting onto the road is more effective than trying to clean the dirt up once it is on the road. He added that street sweeping helps to prevent emissions on the road.

Mr. Bouchie outlined some of the reductions that were made from the State budget and said that the Highway User Revenue Funds (HURF) were reduced by \$3.7 million. He advised that HURF's were used previously for storm drain and street sweeping activities. He stated that the bill the City receives from the Arizona Department of Water Resources (ADWR) is over \$600,000 and funds the basic operations of ADWR.

Mayor Smith commented that the bill the City receives from the State for ADWR is now a bill directly against the City taxpayers. He added that this was a fee increase that was mandated by the State.

In response to a question from Councilwoman Higgins, Budget Director Candice Cannistraro explained that the \$612,000 that the City is billed is based on the City's population.

Responding to a question from Councilwoman Higgins, Assistant to the City Manager Scott Butler explained that County residents are not charged an assessment for the ADWR bill and that the assessments were only applied to municipalities across the State. He added that cities that use private water companies will still receive the assessments.

Following discussion among the Council, Mayor Smith advised that there will be a separate line item on the utility bills that will identify this State assessment.

Mr. Bouchie displayed the estimated costs of the Environmental Mandates which total \$10.4 million in expenses for the FY 11/12. (See Page 10 of Attachment 1) He pointed out that stormwater requirements account for the largest portion of the expenses.

Mr. Bouchie briefly highlighted the mandates funded by the Environmental Compliance Fee (ECF). He said currently the ECF generates an estimated \$5.8 million a year. He stated that the difference between the cost of the mandates which is \$10.4 million, and the current funding is \$4.6 million. He reported that \$3.2 million is received from Local Street Funds and that the remaining funds needed to comply with unfunded environmental mandates total \$1.4 million. (See Page 11 of Attachment 1)

Mr. Bouchie stated that stormwater rules are based on population and because the City is a large municipality it has an individual Stormwater Permit that has specific BMP's that are reported to the State. He said the benefits of the stormwater program are across the City and that everyone benefits from the environmental activities. (See Page 12 of Attachment 1)

Mr. Bouchie advised that the current ECF is a single flat rate applied to each City of Mesa utility account. He said that alternative scenarios were reviewed to determine if it was possible to differentiate between customers in a manner that was consistent with the benefits they received from the environmental expenses. He stated that the distribution options that were studied were residential versus non-residential, water meter size, and water consumption. He advised that since the benefits were across the City, and the benefits that each person received could not be measured, it was determined that the flat fee was the best approach. (See Page 13 of Attachment 1)

Mayor Smith commented that the City is trying to provide the residents with a view of what has been referred to as "our new reality" and part of "our new reality" is that the City is going to be saddled with the responsibility of the State and Federal mandates. He stated that in the past when there was money to cover the mandates this was not a problem. He said that now that the City doesn't have the money, more mandates have been handed down and many of the revenue sources have been withdrawn. He added that the Legislature and Congress have made cuts and reduced their spending however, they left the environmental activities in place and are requiring the City to pay for those activities.

In response to a question from Councilmember Richins, Mr. Bouchie explained that every \$.50 of the ECF generates approximately \$1 million a year. He said that currently the ECF is \$3.00 per month and that an additional \$2.38 per month is needed, therefore the ECF would need to be increased to \$5.38 per month.

Councilmember Richins remarked that the City was not provided a choice and is being forced to increase the fee. He said the State will not raise taxes and wants someone else to be accountable for the costs that they have pushed down on the cities. He said adding \$2.38 to the utility bill is the most transparent solution.

Councilmember Kavanaugh concurred with Councilmember Richins' statements.

Mayor Smith stated that there are three Councilmembers absent from this meeting and therefore, he is reluctant to move forward with an option that would increase the ECF at this time. He said he is uncertain as to whether the other Councilmembers would agree to the full

increase of \$2.38 per month. He requested that this issue be included on Monday's agenda for additional discussion and that staff brief the other Councilmembers on the proposed increase to the ECF.

Discussion ensued regarding where the money would come from to cover the unfunded mandates if the ECF is not increased by \$2.38 per month.

City Manager Chris Brady advised that if the full amount is not collected for the ECF the money will come out of the General Fund and streets will not be fixed and trees and turf in the retention basins will not be maintained.

Discussion ensued regarding the trees and turf in the retention basins that have not been maintained properly and therefore, are not functioning as they should.

Mayor Smith remarked that the City will end up with an environmental issue due to sediment in the storm drains as a result of the retention basins not having been maintained properly.

Councilmember Kavanaugh remarked that the basins are almost to a point where the City should hire someone to spray them green. He said that the City needs to move forward and close the gap by increasing the fee in order to meet the requirements of the permit. He said the City will experience adverse affects if maintenance on the parks and retention basins continues to be deferred.

Mayor Smith commented that this is a situation where the City needs to pay now or pay a much bigger bill later and in many cases, later has already arrived.

Councilmember Richins said that if the funds are shifted out of Transportation to cover the unfunded mandates the City will pay an even bigger price down the road. He expressed his support for moving forward with the full coverage of the fee and stated that it be noted on the utility bills that these costs have been passed down from the State and Federal Governments. He requested that the fee be evaluated every year to determine if it should be adjusted.

Mayor Smith requested that the absent Councilmembers be updated on the ECF and that this item be added to the agenda for Monday's Study Session.

Mayor Smith thanked staff for the presentation.

3. Hear reports on meetings and/or conferences attended.

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|--------------------------|--|
| Councilmember Richins: | Police Department Community Meetings, Parks & Recreation 75 th Anniversary Celebration |
| Councilmember Kavanaugh: | Valley Metro Light Rail Meeting |
| Mayor Smith: | Light Rail Public Meeting at EVIT, U.S. Conference of Mayors Annual Meeting |
| Councilwoman Higgins: | Groundbreaking ASU Polytechnic Arizona Museum for Youth "Peanuts at Bat" |

Mayor Smith reported that he is honored to have been elected as the second Vice President of the U.S. Conference of Mayors. He said that he is excited to have the opportunity to deliver the message to Washington that the City of Mesa and the State of Arizona are important. He stated that the decisions made in Washington and on Capitol Hill have a direct impact on the City and its citizens.

4. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Monday, June 27, 2011, 3:30 p.m. – Public Safety Committee meeting

Monday, June 27, 2011, 4:45 p.m. – Study Session

Monday, June 27, 2011, 5:45 p.m. – Regular Council meeting

Mr. Brady advised that in the month of July the Study Sessions and Regular Council meetings will be held on July 7 and July 14 at 4:45 p.m.

5. Items from citizens present.

There were no items from citizens present.

6. Convene an Executive Session.

It was moved by Councilmember Kavanaugh seconded by Councilmember Richins, that the Council adjourn the Study Session at 8:11 a.m. and enter into Executive Session.

Carried unanimously.

- a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))

1. Stability Pay

7. Reconvene the Study Session.

8. Discuss and provide direction on stability pay.

This item was continued to a future Study Session.

9. Adjournment.

Without objection, the Executive Session adjourned at 8:39 a.m.

SCOTT SMITH, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 23rd day of June, 2011. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

bdw
(attachments -1)



Environmental Compliance Fee



Environmental Mandates

- The goal is to recognize the costs of the unfunded mandates passed down to the City from Federal and State government agencies
- State resources have been reduced

Federal/State Mandates

- Hazardous Waste
 - Resource Conservation and Recovery Act (RCRA)
 - Disposal of Hazardous Materials from City Facilities
- National Emissions Standard for Hazardous Air Pollutants (NESHAP)
 - Asbestos
 - Management of asbestos in City facilities
- Comprehensive Environmental Compensation and Liabilities Act (CERCLA)
 - Phase I/II Environmental Assessments



Federal/State Mandates

- Stormwater
 - Clean Water Act
 - National Pollutant Discharge Elimination System (NPDES) permit
 - Largest portion of Env Fee expenses
- Air Quality Control Measures
 - Clean Air Act
 - PM-10 (fine dust)

Current Condition of Basins Stormwater



Decreased Turf Density – basins do not operate as originally designed in order to manage stormwater run-off.

Current Condition of Basins Stormwater



Tree Care –Budget reductions have resulted in overgrowth of trees and inability to remove dead branches both of which promote healthy tree growth.

Storm Drain Maintenance Stormwater

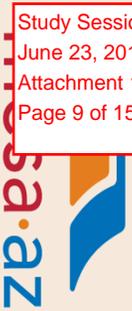


Maintenance & Cleaning of storm drain system to minimize discharge of pollutants is a \$1M annual obligation.

Street Sweeping Stormwater & Air Quality



Maintenance & Cleaning of municipal streets to minimize discharge of pollutants is a \$2.2M annual requirement.



State Reductions/Increased Assessments

- Highway User Restricted Fund: \$3.7M
- Arizona Department of Water Resources Pass Through: \$612,000
 - Funds basic ADWR operations
 - Will be added to COM water bills



Estimated Cost for Environmental Mandates

FY 11/12

- Stormwater \$8.9M
- Air Quality \$.5M
- Hazardous Materials/Asbestos \$.5M
- Other \$.5M
- Total \$10.4M



Mandates Funded by the ECF

- Cost of Mandates \$10.4 mil
- ECF Current Funding \$ 5.8 mil
- Not funded by ECF \$ 4.6 mil
- Local Streets Fund required to fund environmental mandates \$3.2 mil
- Remaining funds needed to comply with environmental mandates \$1.4 mil



Environmental Fee Assessment Background

- Stormwater rules are based on population
 - Phase I Municipality (>250,000 residents)
 - Individual Stormwater Permit
 - Specific Best Management Practices
- Benefits are across the City
- Everyone benefits from the environmental activities

Environmental Fee Distribution

- Current distribution is a single flat rate added to each customer with a City of Mesa utility account.
- Alternative distribution scenarios were reviewed to ascertain if it is possible to differentiate between customers in a manner that is consistent with the benefits of the environmental expenses.



Distribution Options

- Residential vs. Non-Residential
- Water Meter Size
- Water Consumption

Questions?